



Christopher T. Ulmer
Director of Operations

June 26, 2017

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90; 2013 FCC Form 481

Dear Ms. Dortch:

ICORE Consulting, on behalf of Sully Telephone Company ("the Company") hereby submits to the Commission a copy of the Company's completed Form 481¹. Certain portions of the Form 481 filing include information that is confidential in nature. Specifically, the section entitled "Rate of Return Carrier Additional Information"² should be accorded confidential treatment. Attached please find a statement of the reasons for withholding the redacted materials from public inspection pursuant to 47 CFR § 0.459.

Thank you for your attention to this matter. Should you or any member of the Commission Staff have any questions or comments, please do not hesitate to contact us at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Christopher T. Ulmer". The signature is fluid and cursive, with the first and last names being more prominent.

Director of Operations

¹ This filing is required to comply with 47 CFR §§ 54.313 and 54.422(c).

² The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filled out employs the 3005 or 3000 designation.

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Emmaus, PA 18049

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Fax: (610) 928-5036
www.icorellc.com

**CONFIDENTIALITY REQUEST AND STATEMENT OF JUSTIFICATION
IN COMPLIANCE WITH 47 C.F.R. §0459(b)**

Sully Telephone Company (“Company”) is a small, privately held rural local exchange company based in Iowa. The Company requests confidential treatment of certain information being provided to the Commission in its 2017 FCC Form 481. The information is competitively sensitive and its disclosure would have a negative competitive consequence upon the Company were it made publicly available. Such information would not ordinarily be made available to the public and should be afforded confidential treatment under 47 CFR §0.459.

Regulation	Statement of support and compliance with Confidentiality requests
47 CFR §0.459(a)(2)	ICORE Consulting, on behalf of the Company has e-filed, through ECFS, the redacted version and sent via USPS Express Mail the confidential hard copy version (original and one copy) of its 2013 FCC Form 481.
47 CFR §0.459(b)(1)	The Company requests that the documentation required in the section entitled “Rate of Return Carrier Additional Information ³ , which consists of the Company’s financial reports, income statement, balance sheet and cash flow statement, be accorded confidential treatment. The confidential information has been redacted from the public version with black shading.
47 CFR §0.459(b)(2)	The circumstances giving rise to the submission of this confidential information is set forth in 47 CFR § 54.313 and 47 CFR § 54.422.
47 CFR §0.459(b)(3) and §0.459(b)(4)	The information for which confidentiality is sought is financial in nature, including balance sheet, income statement, and statement of cash flows.
47 CFR §0.459(b)(5)	There is robust competition in the telecommunications market today, including wireless, VoIP providers, and cable television providers to name a few. Financial data such as the amount of cash on hand, amount of debt, and revenue by source are all examples of information that competitors would not receive in the normal course of business.
47 CFR §0.459(b)(6)	The financial information is disclosed only within the Company, and furthermore is only provided (1) members of senior management, or (2) those employees who require this information to perform their jobs.
47 CFR §0.459(b)(7)	The Company has not previously released this information to third parties without the execution of a non-disclosure agreement.
47 CFR §0.459(b)(8)	The Company requests that the information be held by the Commission as confidential indefinitely.

³ The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company (“USAC”) website as “Section 3005” in the downloadable version and as “Section 3000” in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filed out employs the 3005 or 3000 designation.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Christopher Ulmer
<035>	Contact Telephone Number: Number of the person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	culmer@icorellc.com
	Form Type	54.313 and 54.422

REDACTED - FOR PUBLIC INSPECTION

REDACTED - FOR PUBLIC INSPECTION

(300) Unfulfilled Service Request Data Collection Form	
FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013	

<010> Study Area Code	351306
<015> Study Area Name	SULLY TEL ASSOC
<020> Program Year	2018
<030> Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035> Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<300> Unfulfilled service request (voice)	NA
<310> Detail on attempts (voice)	Name of Attached Document
<320> Unfulfilled service request (broadband)	NA
<330> Detail on attempts (broadband)	Name of Attached Document

(400) Number of Complaints per 1,000 customers
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed voice
<410>	Complaints per 1000 customers for fixed voice	0.0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed broadband
<440>	Complaints per 1000 customers for fixed broadband	0.0
<450>	Complaints per 1000 customers for mobile broadband	

(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
<510>	351306IA510.pdf	
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

(600) Functionality in Emergency Situations
Data Collection Form

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	351306IA610.pdf

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**(700) Price Offerings including Voice Rate Data
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	

[illegible]

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

[illegible]

**(800) Operating Companies
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<810>	Reporting Carrier	Sully Telephone Association
<811>	Holding Company	Not Applicable
<812>	Operating Company	Sully Telephone Association

[illegible]

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.

<922> Feasibility and sustainability planning;

<923> Marketing services in a culturally sensitive manner;

<924> Compliance with Rights of way processes

<925> Compliance with Land Use permitting requirements

<926> Compliance with Facilities Siting rules

<927> Compliance with Environmental Review processes

<928> Compliance with Cultural Preservation review processes

<929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

(1000) Voice and Broadband Service Rate Comparability

Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	
<035>	Contact Telephone Number - Number of person identified in data line <030>	Christopher Ulmer 6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1000>	Voice services rate comparability certification	Yes
<1010>	Attach detailed description for voice services rate comparability compliance	351306IA1010.pdf
<1020>	Broadband comparability certification	<div>Name of Attached Document</div> <div>Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau</div>
<1030>	Attach detailed description for broadband comparability compliance	<div>Name of Attached Document</div>

(1100) No Terrestrial Backhaul Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1100>	Certify whether terrestrial backhaul options exist (Y/N)	<div>Yes</div>
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<1130>	Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).	<div></div>
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(1200) Terms and Condition for Lifeline Customers		FCC Form 481
Lifeline		OMB Control No. 3060-0986/OMB Control No. 3060-0819
Data Collection Form		July 2013

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	<div>351306IA1210.pdf</div> <div>Name of Attached Document</div>
<1220>	Link to Public Website	HTTP www.sullytel.com

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

(2005) Price Cap Carrier Additional Documentation		FCC Form 481	
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819	
<i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>		July 2013	
<010>	Study Area Code	351306	
<015>	Study Area Name	SULLY TEL ASSOC	
<020>	Program Year	2018	
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer	
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.	
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com	

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

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<2011>	3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.	
<2022>	Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.	
<2023>	The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.	
<2024A>	Round 2 Recipient of Incremental Support?	
<2024B>	Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.	Name of Attached Document Listing Required Information
<2025A>	Round 2 Recipient of Incremental Support?	
<2025B>	Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).	Name of Attached Document Listing Required Information
<2015>	2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)	

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Not Applicable - No Attachment Required	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(iii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<input type="checkbox"/>	
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>	
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers	<input checked="" type="checkbox"/>	
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<input checked="" type="checkbox"/>	
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.	<input checked="" type="checkbox"/>	
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers	<input type="checkbox"/>	
(3023)	Underlying information subjected to a review by an independent certified public accountant	<input type="checkbox"/>	
(3024)	Underlying information subjected to an officer certification.	<input type="checkbox"/>	
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>	
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	351306IA3026.pdf

<010>	Study Area Code	351306
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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

Financial Data Summary	
(3027) Revenue	
(3028) Operating Expenses	
(3029) Net Income	
(3030) Telephone Plant In Service(TPIS)	
(3031) Total Assets	
(3032) Total Debt	
(3033) Total Equity	
(3034) Dividends	

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<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	351306
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: SULLY TEL ASSOC	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/07/2017
Printed name of Authorized Officer: Earl DeAngelo	
Title or position of Authorized Officer: General Manager	
Telephone number of Authorized Officer: 6415942905 ext.	
Study Area Code of Reporting Carrier: 351306	Filing Due Date for this form: 07/03/2017
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	351306
<015> Study Area Name	SULLY TEL ASSOC
<020> Program Year	2018
<030> Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
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<039> Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
<p>I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.</p>	
Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
<p>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</p>	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
<p>I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.</p>	
Name of Reporting Carrier:	
Name of Authorized Agent Firm:	
Signature of Authorized Agent or Employee of Agent:	Date:
Name of Authorized Agent Employee:	
Title or position of Authorized Agent or Employee of Agent:	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
<p>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</p>	

Attachments

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

1/1/2017

REDACTED - FOR PUBLIC INSPECTION

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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1. *Introduction*

2. *Background*

3. *Methodology*

4. *Results*

5. *Discussion*

6. *Conclusion*

7. *Acknowledgments*

8. *References*

9. *Appendix*

10. *Index*

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14. *Key Words*

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16. *Subject Headings*

17. *Indexing*

18. *Classification*

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Sully Telephone Association

December 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors
Sully Telephone Association and Subsidiary
Sully, Iowa

We have audited the accompanying consolidated financial statements of Sully Telephone Association (an Iowa Corporation) and its subsidiary, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Sully Telephone Association and Subsidiary
Page 2

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sully Telephone Association and its subsidiary as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2015 consolidated financial statements were audited by other auditors and their report thereon, dated March 1, 2016, expressed an unmodified opinion.

Sully Telephone Association
Consolidated Balance Sheets
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents		
Certificates of deposit		
Accounts receivable:		
Due from customers		
Less allowance of \$500 and \$500, respectively		
Interexchange carriers		
Less allowance of \$16,700 and \$13,000, respectively		
Other		
Prepaid income taxes		
Notes receivable		
Less allowance of \$75,000 and \$-, respectively		
Interest receivable		
Materials and supplies at average cost		
Prepayments		
Deferred income taxes		
Other Noncurrent Assets		
Limited liability company investments		
Marketable securities		
Other investments		
Notes receivable, less current portion		
Deferred income taxes		
Wireless licenses		
Property, Plant and Equipment		
Telephone plant in service		
Rental property		
Wireless plant in service		
 Less accumulated depreciation		
 Plant under construction		
Total Assets		

2016

2015

Liabilities and Stockholders' Equity

Current Liabilities

Current portion of long-term debt
Accounts payable:
 Interexchange carriers
 Other
Advance billing and payments
Accrued taxes
Other

Long-Term Debt, less current portion

Other Noncurrent Liabilities

Asset retirement obligations

Stockholders' Equity

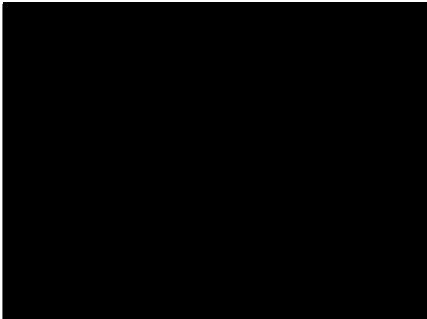
Common stock - [REDACTED]
 and [REDACTED] shares issued and outstanding, respectively
Accumulated Other Comprehensive Income:
 Unrealized losses on certain investments
Retained earnings

Total Liabilities and Stockholders' Equity

Sully Telephone Association
Consolidated Statements of Income
Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Local network services		
Network access services		
Long distance services		
Internet services		
Wireless services		
Miscellaneous		
Uncollectibles		
Operating Expenses		
Plant specific operations		
Plant nonspecific operations		
Cost of long distance services		
Cost of internet services		
Cost of wireless services		
Cost of other services		
Depreciation and accretion		
Customer operations		
Corporate operations		
General taxes		
Operating Income		
Other Income (Expense)		
Investment income		
Gain on disposition of assets		
Other, net		
Equity income (loss) in L.L.C. investments		
Income Before Income Taxes		
Income Tax Expense		
Net Income		

Sully Telephone Association
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net Income		
Other comprehensive income, net of tax:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period		
Reclassification adjustment for losses included in net income		
Comprehensive Income		

Sully Telephone Association
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2016 and 2015

	Common Stock		Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2014					
Net income					
Unrealized holding losses arising during the period (net of tax of [REDACTED])					
Less: Reclassification adjustment (net of tax of [REDACTED])					
Net change in common stock					
Dividends ([REDACTED] share)					
Balance at December 31, 2015					
Net income					
Unrealized holding gains arising during the period (net of tax of [REDACTED])					
Net change in common stock					
Dividends (\$15/share)					
Balance at December 31, 2016					

Sully Telephone Association
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Operating Activities		
Net income		
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and accretion		
Deferred income taxes		
Equity (income) loss in unconsolidated affiliates		
Gain on disposition of assets		
Allowance for notes receivable		
Changes in assets and liabilities:		
(Increase) Decrease in:		
Receivables		
Materials and supplies		
Prepayments		
Increase (Decrease) in:		
Accounts payable		
Accrued taxes		
Other		
Net cash provided by (used in) operating activities		
Investing Activities		
Capital expenditures		
Purchase of investments		
Proceeds from sale of investments		
Proceeds from sale of unconsolidated affiliates		
Proceeds from sale of wireless spectrum		
Issuance of notes receivable		
Collections of notes receivable		
Salvage, net of cost of removing plant		
Net cash used in investing activities		
Financing Activities		
Proceeds from long-term debt		
Repayment of long-term debt		
Dividends paid		
Other, net		
Net cash provided by (used in) financing activities		
Net Decrease in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Year		
Cash and Cash Equivalents at End of Year		

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

Sully Telephone Association and subsidiary (herein referred to as "the Company") are providers of telecommunications exchange, local access services, long distance and internet to customers in a service area located primarily in Jasper County, Iowa.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through March 13, 2017, the date the consolidated financial statements were available for issue. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authority.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Sully Telephone Association, and its 100%-owned subsidiary, PST Digital L.L.C. All material intercompany transactions have been eliminated in consolidation.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected.

Investments

Marketable securities bought and held principally for selling in the near future are classified as trading securities and carried at fair value. Unrealized holding gains and losses on trading securities are reported in earnings. Marketable securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses recorded as a separate component of stockholders' equity. Debt securities for which the Company has both the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The Company uses the average cost method of computing realized gains and losses.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Nonmarketable equity investments over which the Company has significant influence are reflected on the equity method. Other nonmarketable equity investments and certificates of deposit are stated at cost.

The Company evaluates investments whenever events or conditions occur to indicate that the fair value of such investments has declined below their carrying amounts. If the carrying amount for an investment declines below its historical cost basis, the Company evaluates all available positive and negative evidence including, but not limited to, the extent and duration of the impairment, business prospects for the investee and the intent and ability to hold the investment for a reasonable period of time sufficient for the recovery of fair value. If the decline in fair value is determined to be other than temporary, the carrying amount of the investment is written down to fair value.

Intangibles

Intangible assets deemed to have indefinite lives are stated at the lower of cost or fair value. These assets are subject to periodic impairment tests. Intangible assets with definite lives are amortized.

A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of the indefinite-lived intangible asset is less than its carrying amount. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then the indefinite-lived intangible is tested further for impairment. If the implied fair value of the indefinite-lived intangible is lower than their carrying amounts, an impairment loss is recognized in an amount equal to the difference. Subsequent increases in value are not recognized in the financial statements.

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	30-40 years
Furniture and office equipment	7-10 years
Vehicles and work equipment	8-10 years
Switching and circuit equipment	5-8 years
Outside plant	20-30 years
Other plant and equipment	5 years
Wireless equipment	8-10 years
Towers	30 years

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Repairs of other property, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when other property is sold or retired.

Asset Retirement Obligations

Generally accepted accounting principles require entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Income Taxes

The Company files a consolidated federal tax return with its subsidiary for income tax purposes. For financial reporting purposes, income taxes are presented as if each member of the consolidated group were a separate taxpayer.

Income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the consolidated financial statements including both taxes currently due and deferred. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes arise from the basis in telephone plant and other property, certain payables, equity investments and marketable securities. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal income taxes.

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service and internet revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on an average schedule company settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues is billed based upon an individual company tariff access charge structure filed with the Iowa Utilities Board (IUB). The tariffs developed from this structure are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at contracted rates.

The Company recognizes internet revenue as the total amount earned from charges to customers in the statement of operations as internet services. In accordance with tariffs filed with the FCC by NECA, the Company charges its non-regulated internet operations the tariffed wholesale DSL rate for the use of the Company's regulated plant facilities. These charges in network access services and cost of internet services totaled [REDACTED] 2016 and 2015, respectively.

The Company recognizes taxes charged to customers on a net basis in the consolidated statements of income.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements to conform with the 2016 presentation.

Note 2: Securities Investments

The amortized cost and fair value of available-for-sale and held-to-maturity securities are:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2016:</u>				
Available-for-sale equity securities:				
Mutual funds				
Amounts classified as:				
Marketable securities				
Held-to-Maturity:				
University bonds				
Municipal bonds				
Corporate bonds				
Total				
Amounts classified as:				
Other investments				
<u>December 31, 2015:</u>				
Available-for-sale equity securities:				
Mutual funds				
Amounts classified as:				
Marketable securities				
Held-to-Maturity:				
University bonds				
Amounts classified as:				
Other investments				

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

The following table shows the Company's investments' gross unrealized losses, fair value and length of time that the individual securities have been in continuous unrealized loss position at December 31, 2016 and 2015:

	2016					
	Less than 12 Months		12 Months or More		Total	
		Unrealized		Unrealized		Unrealized
Description	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Mutual funds						
University bonds						
Municipal bonds						
Corporate bonds						
					</	

The Company's investments in available-for-sale securities consist of investments in mutual funds comprised of Asset Strategy, Balanced, Dividend Opportunities, Energy, Global Income Allocation, High Income, International Core Equity and Mid Cap Growth funds. At December 31, 2016, the mutual funds had unrealized losses of [REDACTED] and a carrying value of [REDACTED]. The fair value and unrealized losses are distributed amongst the eight funds. At December 31, 2015, the mutual funds had unrealized losses of [REDACTED] and a carrying value of [REDACTED]. The Company evaluated the near-term prospects of the funds in relation to the severity and duration of the impairment. The Company believes these securities are not impaired due to reasons of credit quality or other factors, but rather the unrealized loss is primarily attributed to continuing uncertainties in both international and domestic economies and market volatility. Based on that evaluation, the Company does not consider those investments to be other than temporarily impaired at December 31, 2016. An other than temporary impairment of [REDACTED] was recognized as of December 31, 2015.

The Company's investments in held-to-maturity securities consists of investments in university, municipal and corporate bonds. The Company attributes the unrealized losses in the bond market to changes in market interest rates. Held-to-maturity securities with unrealized losses at December 31, 2016, are performing according to their contractual terms, and the Company does not expect to incur a loss on these securities unless they are sold prior to maturity. The Company does not have the intent to sell these securities nor does it believe it is likely that it will be required to sell these securities prior to their anticipated recovery. The Company does not consider any of the bonds to be impaired due to reasons of credit quality or other factors.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Proceeds from held-to-maturity securities called by the bond obligor were [REDACTED] and \$- in 2016 and 2015, respectively. The gross realized gains on sales of held-to-maturity securities totaled [REDACTED] 2016 and 2015, respectively.

The change in net unrealized holding gains (losses) on available-for-sale securities included as a separate component of comprehensive income before tax totaled [REDACTED] in 2016 and 2015, respectively.

Investments measured at fair value are valued at Level 1 in the fair value hierarchy.

The amortized cost and fair value of debt securities at December 31, 2016, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations without call or prepayment penalties.

	<u>Amortized</u> <u>Cost</u>	<u>Fair Value</u>
Available-for-Sale:		
Equity securities		
Held-to-Maturity:		
Due after one year through three years		
Due after five years		

Note 3: Equity Method Investments

The Company has a [REDACTED] interest in the Anee Investments, L.L.C. This investment is accounted for by the equity method. For the investments [REDACTED] at December 31, 2016 and 2015, respectively) accounted for under the equity method, the Company recognizes its proportionate share of the income and losses accruing to it under the terms of its partnership agreements.



The Company had an [REDACTED] interest in Hilbert Communications L.L.C. partnership. This investment was accounted for by the equity method. For the investments accounted for under the equity method, the Company recognizes its proportionate share of the income and losses accruing to it under the terms of its partnership agreements. The Company discontinued the recognition of losses when its investment in the partnership was reduced to zero. During 2016, the Company sold its investment in Hilbert Communications L.L.C. for [REDACTED]

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Note 4: Other Investments



Other investments consist of:

	<u>2016</u>	<u>2015</u>
Certificates of deposit		
Held-to-maturity bonds		
Aureon stock		
NECA Services stock		
Cooperative patronage		

Because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs, management has determined it is not practical to estimate the fair value of these investments. However, management believes that the carrying amount of these investments at December 31, 2016, included in other investments is not impaired. During 2015, the Company sold its investment in Aureon preferred stock for  and recognized a gain of .

Note 5: Notes Receivable

Notes receivable consist of:

	<u>2016</u>	<u>2015</u>
Rural Economic Development note - due May 1, 2025		
Prism Projection, Inc. - due February 		
Allowance for doubtful accounts		
Total notes receivable		
Less current portion		

Principal maturities of notes receivable for the next five years are as follows:

2017	
2018	
2019	
2020	
2021	

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Note 6: Intangibles

Intangible assets at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
	<u>Gross</u>	<u>Gross</u>
	<u>Amount</u>	<u>Amount</u>
<u>Unamortized Intangibles</u>		
Wireless licenses		
Wireless licenses sold		

During 2015, the Company sold a portion of its wireless licenses for [REDACTED] resulting in a gain of [REDACTED]. Expenses related to the sale of the wireless license totaled [REDACTED].

The Company's future cash flows are not materially impacted by its ability to extend or renew agreements related to its amortizable intangible assets.

The Company annually assesses its recorded balances of indefinite lived intangible assets for impairment. The fair value of indefinite lived intangibles is based on Level 3 inputs of the fair value hierarchy. The estimated fair value is based on comparable sales. As a result, the Company determined no impairment needed to be recorded for the years ended December 31, 2016 and 2015.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Note 7: Property, Plant and Equipment

Property, plant and equipment includes the following:

	2016	2015
Telephone plant in service:		
Land		
Buildings		
Furniture and office equipment		
Vehicles and work equipment		
Switching and circuit equipment		
Outside plant		
Other plant and equipment		
Subtotal		
Rental property:		
Land		
Buildings		
Subtotal		
Wireless plant in service:		
Buildings		
Wireless equipment		
Towers		
Subtotal		
Total property, plant and equipment		

Depreciation on depreciable property resulted in composite rates of [REDACTED] for 2016 and 2015, respectively.

Depreciation expense was [REDACTED] for the years ending December 31, 2016 and 2015, respectively.

Note 8: Asset Retirement Obligations

The Company has determined that asset retirement obligations exist as there is a legal obligation to remove PCS towers at the time the Company discontinues its use. The Company's cost to remove these assets is accrued over the life of the assets. Accordingly, the Company has recorded a liability of [REDACTED] on December 31, 2016 and 2015, respectively. The expense in 2016 and 2015 for the accretion related to asset retirement obligations is [REDACTED] respectively.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Note 9: Income Taxes

Income taxes reflected in the Consolidated Statements of Income consist of the following:

	<u>2016</u>	<u>2015</u>
Federal income taxes:		
Deferred tax expense		
State income taxes:		
Deferred tax expense		
Total income tax expense		

No cash was paid for income taxes during 2016 and 2015.

Income tax refunds of [REDACTED] were received during 2015.

Deferred federal and state tax liabilities and assets reflected in the Consolidated Balance Sheets are summarized as follows:

	<u>2016</u>	<u>2015</u>
Deferred Tax Liabilities		
Federal		
State		
Total Deferred Tax Liabilities		
Deferred Tax Assets		
Federal		
State		
Total Deferred Tax Assets		
Less: Valuation Allowance		
Net Deferred Tax Assets		
Net Deferred Tax (Assets)		
Current Portion		
Long-term Portion		
Net Deferred Tax (Assets)		

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

A valuation allowance is required to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of the evidence, both positive and negative, management determined that a valuation allowance was required at December 31, 2016 and 2015, to reduce the deferred tax assets to the amount that will more likely than not be realized.

Prepaid income taxes of [REDACTED] appearing on the Consolidated Balance Sheets at December 31, 2016 and 2015, reflect overpayments of estimated taxes.

Federal operating loss carryforwards of [REDACTED] and State of Iowa operating loss carryforwards of [REDACTED] are available to reduce future taxable income. These credits expire at various times from 2030 through 2034.

The tax provision differs from the expense that would result from applying the federal statutory rates to income before income taxes because of state income taxes.

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2016.

The Company's federal and state income tax returns for years 2013 to present remain subject to examination.

Note 10: Long-Term Debt

Long-term debt consists of:

	2016	2015
Rural Economic Development Loan [REDACTED]	[REDACTED]	
Less current portion		

The annual requirements for principal payments on long-term debt for the next five years are as follows:

2017	[REDACTED]
2018	
2019	
2020	
2021	

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

During 2015, the Company was notified that it had been approved for a United States Department of Agriculture (USDA) Rural Economic Development Loan (REDL) for [REDACTED] for the purpose of local economic development. The loan is a pass-through loan to the City of Sully. Under the terms of the loan agreement, the Company has secured the REDL with a payable from the proceeds of an unlimited ad valorem debt service property tax levy in the Company's taxing jurisdiction.

At December 31, 2016, of the funds available for long-term notes, all funds were advanced.

Note 11: Employee Benefits

The Company has a simplified employee pension plan covering all employees. Under the policy, contributions consist of a basic percentage of the compensation of each participant. The contributions were set at [REDACTED] for 2016 and 2015. The Company's annual contribution equals the amount accrued as pension expense. Pension contributions expensed and capitalized during the years ended December 31, 2016 and 2015, totaled [REDACTED] and [REDACTED] respectively.

Note 12: Concentrations of Credit Risk

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and temporary investments. The Company places its temporary investments in several financial institutions which limits the amount of credit exposure in any one financial institution.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Company has entered into repurchase agreements for a portion of the amount deposited in two financial institutions, under which U.S. Government Agency securities are pledged as collateral. At December 31, 2016, cash equivalents of [REDACTED] are collateralized by such pledged securities.

Note 13: Noncash Investing Activities

Noncash investing activities included [REDACTED] during the years ended December 31, 2016 and 2015, respectively, relating to plant and equipment additions placed in service or under construction during 2016 and 2015, respectively, which are reflected in accounts payable at year end.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Note 14: Lease Commitments

The Company is obligated under certain non-cancelable operating leases. Assets held under these leases include land for the Company's towers and cell site equipment. All leases provide for renewal periods. Lease costs for the years ended December 31, 2016 and 2015, were [REDACTED] respectively.

Minimum payments for operating leases, including leases expected to renew during 2017, having initial or remaining non-cancelable terms in excess of one year are as follows:

Year Ending December 31,	Amount
2017	[REDACTED]
2018	
2019	
2020	
2021	

Note 15: Contingencies

The Company reached an agreement during 2015 with an interexchange carrier (IXC) to settle its dispute for billings of conferencing traffic. As part of the agreement, the Company agreed to pay [REDACTED] and forgive amounts owed by the IXC to the Company totaling [REDACTED]

Note 16: Regulatory Matters

The Company received [REDACTED] of its 2016 revenues from access revenues and assistance provided by the Federal Universal Service Fund. The manner in which access revenues and Universal Service Funds are determined has been modified in several recent Federal Communications Commission proceedings. Changes include modifications to rate-of-return support including caps on the recovery of certain expenditures, and reductions in terminating access charges billed with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers.

On March 30, 2016, the FCC released a Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking to reform USF. The order in this proceeding (1) provides support for standalone broadband; (2) requires broadband deployment based on the number of locations lacking service and cost of providing service; (3) requires allowances for capital investments and further limits operational expenses; and (4) phases out support for area served by qualifying competitors. In addition, the FCC created a new Universal Service Support mechanism named the Alternative Connect America Model (A-CAM). The Order allows eligible rate-of-return carriers to elect A-CAM or remain on a revised version of the legacy rate-of-return funding. Carriers not eligible for the A-CAM will fall under the revised version of the legacy rate-of-return funding. The Order provides a total budget of \$2 billion for Universal Service Support to cover the A-CAM and legacy rate-of-return mechanisms.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

The Company was not eligible to elect A-CAM support, and therefore will remain a legacy rate-of-return carrier. The amount of support that will be received is not certain due to constraints on the FCC's budget.

Whether a rate-of-return carrier chooses model-based support or remains on legacy mechanisms, it will be required to meet service obligations, adhere to reporting obligations, and retain records.

Supplementary Information

7

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Sully Telephone Association and Subsidiary
Sully, Iowa

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating balance sheet, consolidating income statement, statement of property, plant and equipment and comparative operating statement - dollars per access line listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary information for the year ended December 31, 2015, was audited by other auditors whose report dated March 1, 2016, expressed an unmodified opinion on such information in relation to the basic financial statements for the year ended December 31, 2015, taken as a whole.

Sully Telephone Association

Consolidating Balance Sheet

December 31, 2016

	<u>Sully Telephone Association</u>	<u>PST Digital L.L.C.</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
Assets				
Current Assets				
Cash and cash equivalents				
Certificates of deposit				
Accounts receivable:				
Due from customers				
Less allowance of				
Interexchange carriers				
Less allowance of \$				
Affiliates				
Other				
Prepaid income taxes				
Notes receivable				
Less allowance of				
Interest receivable				
Materials and supplies at average cost				
Prepayments				
Deferred income taxes				
Other Noncurrent Assets				
Investment in affiliates				
Limited liability company investment				
Marketable securities				
Other investments				
Notes receivable, less current portion				
Deferred income taxes				
Wireless licenses				
Property, Plant and Equipment				
Telephone plant in service				
Rental property				
Wireless plant in service				
 Less accumulated depreciation				
 Plant under construction				
Total Assets				

**Liabilities and Stockholders'
Equity**

**Sully
Telephone
Association**

**PST Digital
L.L.C.**

**Intercompany
Eliminations**

Consolidated

Current Liabilities

Current portion of long-term debt
Accounts payable:
 Interexchange carriers
 Other
Advance billing and payments
Accrued taxes
Other

Long-Term Debt, less current portion

Other Noncurrent Liabilities

Advances from affiliated companies
Asset retirement obligations

Stockholders' Equity

Common stock - [REDACTED] ar value,
 [REDACTED] hares authorized [REDACTED]
 shares issued and outstanding
Accumulated Other Comprehensive
Income:
 Unrealized losses on certain
 investments
Members' equity
Retained earnings

**Total Liabilities and Stockholders'
Equity**


Sully Telephone Association
Consolidating Statement of Income
Year Ended December 31, 2016

	<u>Sully Telephone Association</u>	<u>PST Digital L.L.C.</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
Operating Revenues				
Local network services				
Network access services				
Long distance services				
Internet services				
Wireless services				
Miscellaneous				
Uncollectibles				
Operating Expenses				
Plant specific operations				
Plant nonspecific operations				
Cost of long distance services				
Cost of internet services				
Cost of wireless services				
Cost of other services				
Depreciation and accretion				
Customer operations				
Corporate operations				
General taxes				
Operating Income				
Other Income (Expense)				
Investment income				
Gain on disposition of assets				
Other, net				
Equity income in L.L.C. investments				
Income Before Income Taxes and Equity Earnings of Subsidiary				
Income Tax Expense				
Income Before Equity Earnings of Subsidiary				
Equity Earnings of Subsidiary				
Net Income				

Sully Telephone Association
Statement of Property, Plant and Equipment
Year Ended December 31, 2016

	Asset Balance December 31, 2015	Additions	Retirements	Asset Balance December 31, 2016
<u>Telephone Plant in Service</u>				
Land				
Motor vehicles				
Other work equipment				
Buildings				
Furniture and office equipment				
Communication equipment				
General purpose computers				
Digital electronic switching equipment				
Circuit equipment				
Leased terminal equipment				
Internet equipment				
Buried cable				
Conduit system				
Intangibles				
<u>Rental Property</u>				
Land				
Buildings				
<u>Wireless Plant in Service</u>				
Buildings				
Wireless equipment				
Towers				
Total property, plant and equipment				

Sully Telephone Association
Comparative Operating Statement - Dollars Per Access Line
Telephone Operations Only
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Local network services		
Network access services		
Long distance services		
Internet services		
Miscellaneous		
Uncollectibles		
Operating Expenses		
Plant specific operations		
Plant nonspecific operations		
Cost of long distance services		
Cost of internet services		
Cost of other services		
Depreciation and accretion		
Customer operations		
Corporate operations		
General taxes		
Other Income		
Income Tax Expense		
Net Income		
Access Lines		

Sully Telephone Association
Statistics - Telephone Only
Years Ended December 31, 2016 and 2015

2016

2015

Plant Statistics

Access lines
Gross wireline plant investment per access line
Depreciated wireline plant investment per access line
Composite depreciation rate
Percent of plant in service depreciated to date

Financial Statistics

Earnings per share
Stockholders' equity per share
Rate of return on gross plant investment
Rate of return on depreciated plant investment
Return on equity
Current ratio

